

GOVERNOR HAGERMAN'S MESSAGE TO THE LEGISLATURE

Gentlemen of the Council and House of Representatives of the Thirty-Seventh Legislative Assembly of the Territory of New Mexico:

It is the duty of the Chief Executive of New Mexico upon the convening of the Legislature to furnish such information as is at his disposal concerning the condition of the Territory and to offer such suggestions and recommendations concerning new legislation as he may think advisable. In doing this I wish to assure you that it is my most earnest desire to fully and sincerely co-operate with you in the enactment of such legislation as will result in the advancement of the Territory, and in bettering the condition of your constituents.

The people of the whole nation have during the past two years, been blessed with a prosperity rarely, if ever, equalled in the history of the United States, and in this prosperity the people of New Mexico have had their full share. The Territory was never in a more prosperous condition. Our largest industry, that of sheep raising, has from every point of view, been unusually fortunate; the ranges have been good and the crop of lambs large and the prices of wool and sheep unusually high, the conditions which, from the present outlook, promise to continue. The cattle industry from the standpoint of prices has not been so remunerative but otherwise has been very satisfactory. Very few people have grown, great areas of public lands have been taken up and sources of New Mexico and, during the past two years very great strides have been made in its development. Our towns and cities have grown, great areas of public lands have been taken up and much of it put into cultivation by new settlers, hundreds of miles of new railroads have been constructed to meet changed conditions and develop our resources.

While much has recently been accomplished in the exploitation and development of our coal lands, they are of such vast extent that it will take many more lines of railway than now exist to furnish outlets for the coal and coke produced from them, products for which there is an ever increasing demand throughout the country. There have been many new banks established in the Territory and the deposits during the past two years have been more than doubled.

Through the National Reclamation Service and Private enterprise many new irrigation projects, which will reclaim great areas of land have been decided upon and the work on some of them commenced.

The people of New Mexico have every reason to be gratified at the material progress which has been made since the meeting of the last legislature, and it is the duty of all three branches of the government, the legislative, executive and judicial, to unite in a common effort to bring about such necessary changes in the form and execution of our laws as are necessary to meet the rapidly changing conditions. In such co-operation it should always be borne in mind that controversies inspired by personal, local and transitory causes should, as far as possible, be eliminated, as such controversies consume much valuable time, and if allowed to become virulent and bitter, can only result in harm to the community.

The Federal Government, to which the executive is largely responsible, and the people of the Territory, to whom the legislature is entirely responsible, have a right to expect that the 60 days during which the legislature sits, will be used to the utmost in sincere, conscientious and untiring efforts to enact legislation which will be permanently wise and result in the greatest good to the greatest number of voters and taxpayers of the Territory.

A measure of supreme importance to New Mexico was passed by the Federal Congress and approved by the President June 16, 1906. This provided for the admission of New Mexico and Arizona into the Union as one State and was the first enabling act ever passed by Congress under which the long sought privilege of statehood could have been acquired by the people of these Territories. The bill provided that the question "Shall Arizona and New Mexico be united to form one State?" should be voted on the next general election by the qualified voters of both Territories and that, if a majority of the votes cast in either Territory should be against the jointure, it should be defeated. At the general election held on the sixth day of November, 1906, there were cast in New Mexico on the question 40,930 votes, of which 26,195 were in favor of jointure, and 14,735 against. In Arizona there were 3,141 cast in favor of the measure and 16,

265 against it.

Through the adverse vote of Arizona the measure was therefore defeated, and the people of both Territories are again in the same situation they were before the bill was passed. Through the large favorable majority in New Mexico, her people showed that they were willing to accept the terms offered by the Federal Congress, in whose hands our fate lies. As the people of Arizona, however, did not deem it advisable to accept the offer extended to them by the Act of Congress, the realization of the hope and ambition of the inhabitants of both Territories to obtain a state form of government is again indefinitely postponed. At the present time the meeting of a constitutional convention composed either of the delegates elected in New Mexico under the joint statehood act, or of others, would not, in my opinion be useful, and I believe that in the opinion of a large majority of the taxpayers of the Territory, the appropriation by the legislature of money to defray all or part of the expenses of such a convention would be unwise.

The last apportionment of the Territory for legislative purposes, previous to the one now in force, was made by Governor Prince in March 20, 1891. Since then the population of the Territory has vastly increased the division of its population has materially changed and many new counties have been formed. While the apportionment made by Governor Prince was undoubtedly just and equitable at the time it was made, that apportionment under present conditions was exceedingly unjust and unquestionably inequitable and contrary to the meaning and intent both of the Organic Act and the Territorial laws. Realizing this to be a fact and that a very deplorable condition existed as far as concerned the equality of representation throughout the Territory, and that a legal method of immediately remedying that condition existed, I adopted that method and, on the fourth day of November, 1906, issued a proclamation reapportioning the Territory for legislative purposes. The Territory was divided into twelve Council districts and twenty-one House of Representative districts, the attempt being to make the divisions as just and equitable as could be arrived at under the circumstances. In arriving as nearly as possible at the population of the various counties, the last United States census was taken as a basis of computation, and such other facts as the number of voters at the previous general election, and the school enrollment, were used to throw light upon the subject and contribute to the final result.

The new apportionment has been generally accepted as a fair one, and it has been affirmed both by a decree of court and by the election of the members of this legislature under its provisions.

Territorial Finances.

The reports of the Treasurer and Auditor of the Territory are very full and complete, and will prove of great interest to the members of the Legislature.

On December 1, 1904, the commencement of the 56th fiscal year, there were balances in the various funds to the amount of \$249,147.95.

Receipts from taxes and other sources from December 1, 1904, to November 30, 1906, were \$1,442,615.65, making a total of \$1,691,763.60 to be accounted for.

Payments for the corresponding period amounted to \$1,331,762.70, leaving a balance in the treasury at the close of business on November 30, 1906, of \$360,000.90.

All claims within the appropriations made were paid, and in addition there to the bonded debt has been reduced from \$949,300.00 to \$843,000.00 a reduction of \$106,300.00.

Capitol Building bonds, due March 1, 1905, redeemed, \$96,000.00
Current expense bonds, due May 2, 1907, redeemed, \$10,000.00
Casual Deficit bonds, due May 1, 1923, redeemed, \$300.00.

While the Territorial bonded debt is now \$843,000.00, there are balances in sinking funds available to redeem outstanding bonds aggregating \$103,302.82, making the net territorial debt \$739,697.18.

On May 2, 1907, \$40,000.00 six per cent current expense bonds will become due, for which there are funds on hand to pay, and on November 1, 1907, an additional \$50,000.00 current expense bonds mature, and payment will be promptly met. The remaining \$50,000.00 current expense bonds due May 1, 1908, will be paid, and after that no bonds will mature until May 1, 1919.

The bonded debt has been reduced to \$406,000.00 in the last seven years, resulting in reduced annual interest

charges from \$73,200.00 in 1899 to \$45,800.00 annual interest charge on the present outstanding territorial debt.

This gradual reduction of the bonded debt is being accomplished without hardship upon the taxpayers, and it is believed no better plan could be devised in relation to the bonded debt of the Territory than to continue the payment of bonds by direct tax for that purpose as they become due. In this manner the debt will be gradually wiped out and the taxpayers relieved of the interest charges.

There are now thirteen designated depositories in which the territorial funds are on deposit, entitled under their applications and bonds filed to have on deposit \$298,000.00, on which the Territory gets three per cent interest per annum, payable monthly.

Most of the depository banks have given surety company bonds to secure the territorial deposits, this class of security being preferable in many respects to a bond with personal sureties.

In this connection I would suggest that in the territorial laws concerning depositories, provision should be clearly made for the periodical examination of all collateral and security bonds filed with a view to their renewal or replacement by others when it might be deemed necessary. The law of the Territory is entirely silent on this point, although the system was initiated nearly thirteen years ago, and it is probable that some of the original personal bonds filed in 1893 are still in force, although some of the signers may be dead and others bankrupt.

The total tax levy for the 57th fiscal year ending November 30, 1906, was fifteen mills, and the appropriations for the same year for general territorial purposes \$219,920.00.

For the 58th fiscal year the rate of taxation is fourteen mills for all purposes; six mills to meet the appropriations for general territorial purposes amounting to \$208,110.00; six and thirty one-hundredths (6 30/100) mills for territorial charitable institutions; one and seventy one-hundredths (1 70/100) mills for bond sinking funds and special purposes.

For the 56th fiscal year the total income from taxation was \$507,216.26, and from sources other than taxation including interest on deposits, convicts' earnings fund, district court fees, corporation fees, superintendent of insurance fees, and some other funds \$153,026.31, making a total, according to the Auditor's report of \$660,242.57.

For the 57th fiscal year the total income from taxation was \$535,661.58 and from other sources \$196,711.50, making a total of \$732,373.08, or an increase of \$72,130.51.

The Auditor reports that for the 57 fiscal year, under the direct levy fifteen mills, one mill levy produced the sum of \$30,654.03, exclusive of the cost of assessment and collection, this being the amount derived from such levy up to and including the 30th day of November, 1906. The mill levy for the 58th fiscal year will probably produce more than this.

For the 58th fiscal year the fourteen mill levy, as certified by the different boards of county commissioners to the Territorial Auditor was as follows:

Territorial purposes, . . . . .	.600
Territorial Institutions, Appropriation bill, . . . . .	.550
Charitable Institutions, . . . . .	.080
Camino Real Fund, Sec. 11, Chap 7, Laws 1905, . . . . .	.25
U. S. Land Fees fund, Sec. 50 Chap. 111, Laws 1905, . . . . .	.12
Mounted Police fund, Sec. 13 Chap 9, Laws 1905, . . . . .	.50
Current expense bond sinking fund, Sec. 384, C. L. 1897, . . . . .	.66
Provisional indebtedness bond sinking fund, Sec. 4176 C. L. 1897, . . . . .	.10
Terr. Institutions bond sinking fund, Sec. 3691, C. L. 1897, . . . . .	.3
New Mexico Military bonds sinking fund, Sec. 3667, C. L. 1897, . . . . .	.2
Insane Asylum bonds sinking fund, Sec. 3625, C. L. 1897, . . . . .	.2

Total, \$1400

Out of the total amount of this levy six and three-tenths are for territorial institutions and charitable institutions, the sum to be produced for territorial institutions being \$177,000.00 and for charitable institutions \$25,000.00.

Bonded Debt.	
Bonded indebtedness, Nov. 30, 1904,	\$949,300.00
Capitol Building bonds redeemed, \$96,000	
Current expense bonds redeemed 10,000	
Casual deficit bonds redeemed 300	
Total indebtedness Nov. 30, 1906,	\$843,000.00

Deducting amount of various sinking funds	103,302.82
NET DEBT,	\$739,697.18
General Account.	
Balance in Treasury Dec 1, 1904,	\$249,147.95
Receipts from Dec. 1, '04 to Nov. 30, '05 \$685,242.57	
Receipts from Dec. 1, '05 to Nov. 30, '06 757,373.08	
	1,442,615.65
Payments from Dec. 1, '04 to Nov. 30, '05 \$703,596.89	
Payments from Dec. 1, '05 to Nov. 30, '06 628,165.81	
	1,331,762.70

Balance in Treasury at close of business Nov. 30, 1906,	\$360,000.90
Assessment and Taxation.	

The Honorable Miguel A. Otero in his message to the 36th Legislative Assembly, said in regard to this important subject:

"The proper assessment of taxable property and the prompt collection of taxes is of vital importance to every commonwealth or community. Of late years there has been some improvement in both, in this Territory, especially since the enactment of the traveling auditor's law, but it is still not what it ought to be. It is recognized that the collection of taxes, although distinct from the duty of assessing property for taxation, is nevertheless very much dependent upon the latter. It is no consolation to New Mexico taxpayers to know that other commonwealths contend with the same difficulty and are also still far from having solved the problem of equitable assessment and taxation, for it is a function that lies at the root of all good government and I look to this legislative assembly to enact legislation that will go further towards solving this problem for New Mexico than

has ever been done before. During the past two years a trial has been given by the Board of Equalization to the Sections of Chapter 88 of the laws of 1903, which empower it to apportion and adjust in a lump sum the amount of taxes to be raised among the different counties, and the Board is frank to acknowledge that this method under existing circumstances, while correct theoretically, in practice has not abolished existing inequalities but has rather accentuated them, not to speak of the question of law that might be raised by one county levying a higher rate for territorial purposes than another county upon the same class of property."

"The violation of duty by the assessor reduces the total assessed valuation to far below what it should be. This, naturally, makes a harmful impression abroad and results in a rate of taxation that seems comparatively high when considered independent of the imperfect assessment. Such a course deceives no one, benefits no one, and is utterly wrong in principle. A certain sum must be raised for administrative and other necessary public purposes, no matter what the total assessment, and the rate of taxation is fixed in proportion to the total assessment so as to yield approximately the necessary revenue, under valuation demanding a high tax rate, while a just and equitable assessment would permit a low tax rate such as would improve public credit, attract capital for investment and would encourage property owners to make improvements.

"With fair assessment rolls it will be easier to hold the collectors to the prompt collection of taxes. In most other commonwealths collectors of taxes are charged and held responsible upon their bonds for one hundred per cent of the total taxes charged against property in their jurisdiction, and they can be exonerated from collecting any part of this for good reasons only, and upon specific action in each case by the Board of Equalization. Why cannot such a course be pursued in New Mexico? It is not only an insufferable evil but a public shame that it can be said that one portion of the Territory turns into the proper treasury only sixty or seventy per cent of the taxes levied against it while another portion with a higher proportionate and actual assessment, collects ninety and more per cent of its taxes. It is a matter worthy of the undivided and careful attention of the law makers."

Since the meeting of the last legislature there has been considerable improvement in tax collections, the average percentages of taxes collected in the whole Territory being higher, and there being more uniformity as between the various counties as to such percentage. But very much remains to be done in the way of legislation before the statutes of the Territory, on the subject of revenues, are what they should be. I am aware that the subject is a difficult one and one which has taxed the resources of the ablest lawyers and legislators in nearly every state in the Union for many years, and while we cannot hope for perfection or the enactment of necessary legislation at one session of the legislature, there are certain changes which it is extremely desirable should be made at once.

In order that uniform and consistent law on this subject may be available for the guidance of the many territorial officials whose duty it is to see to the enforcement of the laws of assessment and taxation, and that the difficulties which now exist even in the minds of trained lawyers, as to the interpretation of the many acts which have been passed on the subject, may be partially, at least, overcome, I strongly recommend that you make a complete compilation and revision of all such laws, repealing all the laws now on the statute books

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